

Message Text

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21

ACTION EA-09

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 PA-01 PRS-01 USIA-06

COME-00 XMB-02 FEA-01 INT-05 OES-03 /086 W

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R 240545Z SEP 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 0439

INFO AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 11801

EO 11652: NA

TAGS: ENRG EALR ID

SUBJECT: PERTAMINA FINANCIAL DIFFICULTIES AND REORGANIZATION: MINISTER SUMARLIN TO RENEGOTIATE SUPPLIER CONTRACTS

REF: (A) JAKARTA 11034

(B) JAKARTA 11492

1. BEGIN UNCLASSIFIED: MEDIA REPORTED THIS PAST WEEKEND THAT PRESIDENT SUHARTO HAS APPOINTED MINISTER OF STATE FOR ADMINISTRATIVE REFORM (AND DEPUTY CHAIRMAN STATE PLANNING ORGANIZATION, BAPPENAS) DR. J.B. SUMARLIN TO RENEGOTIATE ALL SUPPLY CONTRACTS OF PERTAMINA AND ITS AFFILIATES ON WHICH PAYMENTS STILL OUTSTANDING. RENEGOTIATION TO "COVER PRICES, DELIVERY OF GOODS/COMPLETION OF WORKS, PAYMENT... AND OTHER TERMS..." SUMARLIN TEAM TO INCLUDE OFFICIALS FROM PERTAMINA, BANK INDONESIA, GOI DEPARTMENTS OF FINANCE, TRADE AND PUBLIC WORKS, AND "OTHER STATE INSTITUTIONS CONCERNED...." FURTHER REPORTED THAT SUMARLIN MET WITH 48 OF THESE CONTRACTORS AND SUPPLIERS ON 19 SEPTEMBER, CONFIDENTIAL

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INVITING THEM TO SUBMIT EVIDENCE PERTINENT TO SETTLEMENT

OF THEIR CLAIMS FOR PAYMENT. SUMARLIN REPORTEDLY DECLARED THE RENEGOTIATION TEAM "WOULD WORK DAY AND NIGHT IF NECESSARY" TO EXPEDITE SETTLEMENT.

2. A PERTAMINA SOURCE HAS INFORMED US THAT PERTAMINA'S REPRESENTATIVE ON SUMARLIN'S TEAM WILL BE MAJOR GENERAL SUHANTO, A NEW APPOINTEE TO THE STATE ENTERPRISE'S FINANCIAL STAFF (THIS OFFICER NOT KNOWN TO THE EMBASSY AND HIS ROLE RELATIVE TO THAT OF GENERAL PIET HARYONO NOT ENTIRELY CLEAR TO US). END UNCLASSIFIED.

3. BEGIN CONFIDENTIAL. MINING MINISTER SADLI, IN CONVERSATION WITH AMBASSADOR OVER THE WEEKEND, CONFIRMED THAT CONTRACTS TO BE RENEGOTIATED ARE THOSE COVERING SUPPLY OF GOODS AND SERVICES TO PERTAMINA AND ITS AFFILIATED COMPANIES. HE SAID FURTHER THAT PERTAMINA'S MANAGEMENT STRUCTURE IS BEING SCRUTINIZED FROM TOP (INCLUDING THE SUMMIT) TO BOTTOM, AND THAT FURTHER PERSONNEL CHANGES ARE PROBABLE.

4. MINISTER SUMARLIN TOLD ECONOMIC/COMMERCIAL COUNSELOR MONDAY 22 SEPTEMBER THAT IN ADDITION TO ABOVE PERTAMINA-RELATED ASSIGNMENT HE WAS ALSO "TAKING A LOOK INTO" THE POSSIBILITY OF RENEGOTIATING PROFIT SPLIT UNDER CONTRACTS WITH FOREIGN OIL COMPANIES IN ORDER TO INCREASE FINANCIAL RETURNS TO GOI FROM OIL PRODUCTION.

5. COMMENT: THE TECHNOCRATS CONTINUE THEIR FORAYS INTO PERTAMINA TERRITORY WITHOUT MEETING OVERT RESISTANCE. WITH THE EXCEPTION OF THE LAST-MENTIONED, ALL ARE DIRECTLY RELATED TO PERTAMINA'S LIQUIDITY CRISIS AND ALL ARE KNOWN TO BE EXPLICITLY ORDERED BY PRESIDENT SUHARTO.
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